

LEND-LEASE SETTLEMENT

*Exchange of letters at New Delhi June 24 and 26, 1946, amending
agreement of May 16, 1946
Entered into force June 26, 1946*

Department of State files

*The Acting American Field Commissioner to the Financial Adviser to the
Indian Military Finance Department*

24TH JUNE, 1946

DEAR MR. MOHAMMAD ALI,

Under the Agreement (No. V) relating to Aircraft, between the United States and the United Kingdom ¹ and a further agreement in extension of the cited agreement, there have become available for recapture by the United States certain airplanes in the possession of the Royal Air Force. The Royal Air Force is required to make delivery as directed by the United States of such of these planes as can be made flyable by not more than 250 man-hours of work. The present location of these planes does not determine the area in which they may be disposed of, as directions given the R.A.F. by the United States may be to deliver to any area in which there may be a market for the planes. For example, planes which are now located in India may be flown at my direction to Burma, Europe, or elsewhere for recapture by the United States. It should also be noted that none of these planes was ever considered in any of the negotiations concerning surplus property which began in January and culminated in the Over-all Agreement in Washington May 16th ² of this year. It is possible for me to have a part of these planes declared surplus in India and added to the surpluses which were referred to in Paragraph 7 of the Agreement between the Government of the United States and the Government of India signed in Washington on 16 May. Since there is no compulsion upon me to take such action, I should like, if I do so, to ask certain concessions, which I explain below.

The American Mission is presently occupying the house of the Nawab of Bahawalpur in New Delhi but the tenure is not assured for any indefinite period. The Department of State of the United States is therefore very

¹ Agreement signed at Washington Mar. 27, 1946 (TIAS 1509, *post*, UNITED KINGDOM).

² TIAS 1532, *ante*, p. 1226.

anxious to (a) assure continued availability of either the present location of the American Mission or commensurately suitable quarters, until a new site can be procured and suitable construction completed thereon (b) acquire a site for an Embassy or Legation and begin construction thereon as soon as possible. While the United States has more than sufficient rupee balances in India to cover the expenditures necessary for acquiring a site and building thereon, such balances may not, under our law, be used for those purposes until a Congressional appropriation has been secured therefor. In practice, securing such a Congressional appropriation is likely to be much delayed because of the press of important legislation before our Congress in these troubled times. It occurs to me that the aims of the Department of State in connection with its building program might best be achieved by using the funds which will become available to the United States under Paragraph 7 of the May 16 Washington Agreement for the purpose set forth in Paragraph 7 (c) of that Agreement but at an earlier date. In this connection, I rely also upon our joint examination of the prospects of disposals of U.S. surpluses which indicated strongly that the proceeds will, shortly after the end of this year, exceed fifty million dollars.

I therefore propose that, barring ten planes to be flown out of India to Siam, I will direct the R.A.F. to deliver to the Government of India such airplanes and spares as come within the agreement referred to in the first sentence of this letter and as are located in India and that such airplanes delivered to the Government of India as United States surplus shall become a part of the surplus described in Paragraph 7 of the May 16th Washington Agreement and be treated in accordance with the provisions of that Agreement. In exchange for so doing, I propose that: (a) The Government of India shall pay to the United States those sums which are due the United States because the proceeds of disposals exceed fifty million dollars as soon as reasonably possible after the proceeds exceed fifty million dollars, partial payment being made at frequent intervals and without waiting for completion of the disposal program as stipulated in Paragraph 7 (c) of the May 16th Washington Agreement, (b) that the Government of India undertake to use its best offices either to maintain the American Mission in its present location or assist the American Mission in securing equally suitable quarters until such time as the United States can acquire a site and erect suitable quarters for the Mission.

If this proposal is acceptable to your Government, will you please confirm it to me in writing.

At this time I wish to confirm the substance of our conversations regarding some of the stores covered by Paragraph 5 (g) of the May 16th Washington Agreement. Because some of these stores were originally intended for use in campaigns in neighboring countries, they are not suited for civilian end use in India but are suited and needed for use in neighboring countries. It is agreed that in these and similar cases, there is no objection on the part of

the Government of the United States to export of such articles, it being understood that as regards the whole of the stores covered by the paragraph referred to, this export will be of limited extent.

Sincerely yours,

W. O. REEDER
Brig. General, USA
Acting Field Commissioner

Mr. MOHAMMAD ALI,
Financial Adviser,
Military Finance Department,
Room No. 168/s,
Government of India.

The Financial Adviser to the Indian Military Finance Department
to the Acting American Field Commissioner

FINANCIAL ADVISER
MILITARY AND SUPPLY FINANCE
NEW DELHI *Dated 26 June 1946*

No. 488-C

DEAR GENERAL REEDER,

I am to acknowledge receipt of your letter dated the 24th June 1946.

In view of the special considerations (which do not apply to any other categories of U. K. military Lend-Lease holdings) mentioned by you in respect of Lend-Lease non-combatant aircraft, surplus to U. K. military requirements, it is agreed that such aircraft as are re-captured in India by the Government of the United States properly fall within Article 7 of the May 16th Washington Agreement between India and the U.S.A.

2. Having regard to the fact that the United States Government agree to the re-capture and disposal of all such aircraft in India (barring ten planes to be flown out of India to Siam) and to the desire of the American Mission to obtain suitable quarters, the Government of India agree to the proposal made by you in your letter. The Government of India will accordingly make advance payments in the manner suggested by you which will be adjusted against the final sum due to the United States under para. 7(e) of the 16th May Washington Agreement and also use its best offices to assist the American Mission in securing suitable accommodation.

Yours sincerely,

MOHAMAD ALI

Brigadier General W. O. REEDER,
Acting Field Commissioner,
FLC IBT, New Delhi.